

Summary Report on Transportation Innovative Financing and Revenue Options

prepared by

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The following is a summary of revenue and innovative financing options that might be considered by the Forum on Transportation Investment. The primary source of information is the *2003 Report of Findings and Conclusions* generated by the Idaho Transportation Resource Task Force. It was formed in 2001 in part to evaluate possible methods of producing new revenue. The report was generated using dozens of sources of information, some of which are listed under “Selected Information Sources” at the end of this document.

The following information is presented as a tool for Forum members to begin to consider options for Idaho in terms of revenue and innovative financing. It is not intended to be all inclusive.

INNOVATIVE FINANCING OPTIONS:

- Bonding- Bonding is a technique of borrowing money to do projects in advance of when revenue is received. Bonding is suitable for projects that require large up-front capital outlay, and there is an established revenue stream in the future for repayment. Highway districts, counties and cities have legislative authority to issue bonds. ITD is currently authorized to bond for turnpike projects.
- Shift funding of Idaho State Police to the state general fund- The Highway Distribution Account (HDA) apportions 5% of collected money to the Law Enforcement Account each state fiscal quarter. The HDA has distributed funds to the Law Enforcement Account ranging from \$11 million to \$15.5 million since 1995. Amendment of Idaho Code would be necessary.
- Tax Increment Financing (TIF) - Idaho law gives cities and counties the authority to establish urban renewal areas. Urban renewal projects can include construction or repair of streets or off-street parking facilities. Revenues for the projects generally come from bonds that are paid back using increased property tax revenues resulting from the improvements made. TIF has potential as a source of additional revenue for the local match for highway construction projects in designated areas, when used by a city or county in conjunction with ITD.
- Public Private Partnerships- Public-Private Partnerships are arrangements between government and private-sector entities for the purpose of providing public infrastructure, facilities, and services. Such partnerships are characterized by the sharing of investment, risk, responsibility, cost, and benefits between the partners. In most cases, needed infrastructure can be completed sooner.
- Grant opportunities for technology, beautification, etc. thru HUD, NEA, others- Transportation related projects within the State of Idaho might possibly be eligible for federal grants through other agencies. Most of these grants would be competitive and would require the Idaho Transportation Department to submit competitive grant applications, and meet the requirements of the granting agency.

- Increase Minimum Guarantee for Public Land States- Because states like Idaho have a significant amount of federal land, the tax base is also significantly reduced. Most of the revenue Idaho receives from the FHWA, FTA, FAA, and USDOT are derived from federal fuel taxes. There is no existing allowance for the impact on our property tax base.
- Consider Funding From the Petroleum Clean Water Trust Fund. – Mechanism currently exists in Idaho Code to fund the cleanup of leaking fuel storage tanks. To maintain the required balance in the fund, 1 cent/gallon of fuel sold is collected. 77% of those collections go to the Highway Distribution Account. When the fund reaches its cap of \$25 million, collection of the 1 cent is suspended until the fund reaches a base of \$15 million. Legislative authority would be required for other uses.

REVENUE OPTIONS:

- Increase Fuel Tax- Idaho's current fuel tax is 25 cents/gallon for gasoline and special fuel, 5.5 cents/gallon for aviation fuel, 4.5 cents/gallon for jet fuel, and 22.5 cents/gallon for gasohol. Fuel tax increases must be approved by the legislature. *(See chart below)*
- Increase Vehicle Registration Fees- Registration fees are based on a fee schedule by age. An increase in registration fees results in a significant increase in revenue. Any registration fee increase must be approved by the legislature. *(See chart below)*
- Increase Title Fees- A fee of \$8.00 is charged to issue an Idaho certificate of title, to furnish a duplicate copy of an Idaho certificate of title, or to certify a copy of any record pertaining to any certificate of title. Of the eight dollar issuance fee, three dollars goes to the issuing County Assessor's office and the remaining five dollars goes to the State Highway Account. Increasing title fees requires an amendment to Idaho Code. *(See chart below)*
- Impact Fees- The concept of development impact fees is to guarantee that new developments pay their proportionate share of the cost of maintaining the system(s) and its level of service. New legislation would be required for the State of Idaho to have authority. Currently, only cities, counties and single countywide highway districts have ordinance authority. *Requires a sustained 3-5% economic growth to be feasible.*
- Local Option Sales Tax- Existing local-option sales taxes in Idaho are intended to mitigate the increased cost of city or county services resulting from resort activity. This option is limited by Idaho Code to cities and counties where resort activity is a major portion of the local economy. The voters of a county are given the authority to authorize their county government to adopt, implement, and collect a sales tax or a use tax upon all sales without exception, sale subject to taxation under Idaho Code.
- Local Option Fuel Tax- This would allow local jurisdictions to execute local taxes on fuel consumption. The logistics and administration of local fuel taxes would be complicated. Idaho Code would need to be enacted.
- Value based Vehicle Registration Fees- Value-based assessments on motor vehicles generally include personal property taxes on the vehicle(s) registration fees. The taxes or fees are based on a percentage of the value of the vehicle, with some method of determining the depreciated value in subsequent years. Changing how title fees and registrations are calculated would require revision of Idaho Code. *(See chart below)*
- Index Fuel Tax- Indexing of fuel is generally tied to the consumer price index- Urban (CPI-U). The benefit to linking the fuel tax rate to the CPI-U is to maintain the purchasing power of fuel taxes. Idaho's fuel tax rates are currently set in Idaho Code. *(See chart below)*

- Index all Fees- Several of the fees charged by the State of Idaho are calculated to recoup the administrative costs of providing services to the public. There is no mechanism to offset the negative effect of inflation on the purchasing power of revenues derived from fees and taxes. Indexing fees requires amendment to Idaho Code. *(See chart below)*
- Toll roads and bridges- Toll roads and bridges can be built by the public, private sectors, or a partnership. Pricing can be flat, at-the-facility user fee, or indirectly through licensing or other vehicle based fees. New, automated technology via transponders and fixed detectors allows an automatic deduction to occur from a predetermined account to pay for the toll. Idaho has Turnpike Authority established in Idaho Code.
- Fees for Developments of Regional Impact- See impact fees above.
- Dyed Diesel and Potential Tax Evasion- The Omnibus Budget Reconciliation Act of 1993 required that non-federally taxed diesel fuel be dyed in order to differentiate it from taxed fuel. This bill was an ongoing effort by federal and state governments to reduce fuel-tax evasion. Idaho Code does not provide for inspection or audits on consumers for compliance. This would require amendment to Idaho Code.
- Dedicated Sales Tax on Car Rentals-A motor vehicle tax on car rentals would be much the same as a sales tax on transportation related sales or services to be dedicated to transportation related purposes. This would require authorizing legislation.
- Vehicle Miles Traveled (VMT) Fees - These use-based fees could be based upon the level or frequency of roadway use. New technology could make the collection of fees simple, but the initial costs would be high. Programs could be implemented at the state level, but some legality issues would need investigated.
- Advertising at bus stops/ on busses- There are two types of bus advertising; placards on the sides and rear of buses called 'boards', and decals covering the entire bus called 'wraps'. Advertising is the paid promotion of goods, services, companies and ideas, by an identified sponsor.
- Dedicated Sales Tax on Transportation Related Sales- This would allow for the sales tax collected on transportation related products, such as tires, parts, lubricants, and automobiles to be dedicated to transportation related purposes. This would require amendment to Idaho Codes. *(See chart below)*
- Add Dedicated Sales Tax to Fuel and Transportation Services- State sales tax is not imposed on motor fuel or on transportation services such as vehicle repair, car washes, parking, vehicle insurance, or car loan closure fees. An amendment to Idaho Code would be needed to grant authority. *(See chart below – fuel only)*
- Employer Tax- An employee payroll tax is assessed on employees and collected through the employer. The primary goal here would be a dedicated tax to transportation infrastructure that would cover a full multi-modal mix to address growth, congestion, safety, air quality, corridor preservation, planning, and promoting partnerships among state, local, and private entities. *An imposed tax of \$1 per employee per month in Ada and Canyon counties would generate \$81 million.*
- Railroad Car Tax- Idaho currently imposes a property tax on rail cars as well as a fee to fund IPUC railroad regulatory costs which is based on intrastate rail operations. Only taxes and fees on railcars that are similar in nature to Idaho's, have withstood judicial challenges in other states.

- Eliminate Ethanol Exemption-Ethanol (ethyl alcohol) is an alcohol made by fermenting and distilling simple sugars. Ethyl alcohol is in alcoholic beverages and it is denatured (made unfit for human consumption) when used for fuel or industrial purposes. Another impetus to the use of ethanol fuel has been the exemption that it receives from the motor fuels excise tax.
- Federal reimbursement for fuel tax loss to Native American Reservations- Transfers of additional federal highway funds could compensate for the loss of fuel tax revenue to state and local jurisdictions in Idaho. A proportionate amount could be included in federal allocations to Idaho for transportation, to make up for diminished revenues from federal mandates that Native American reservations be excluded from fuel taxes. Most roads within reservations are maintained by the state or local jurisdictions. Changes are determinate on reauthorization from congress.
- Congestion Pricing- One policy response to the problem of congestion is to use the mechanism that works so well throughout the market economy: pricing. Congestion is considered an external cost (or "externality") by economists. Introducing congestion pricing on a crowded highway--that is, charging tolls that are higher during peak times of the day and lower during off-peak ones--has economic effects. Legislative authority is necessary for congestion pricing on Idaho's highway system.
- Central area charges (used in Europe)- These are charges based on proximity and peak hour usage within designated central areas, such as proximity and time of day around downtown Boise. Legislative authority is required.
- Parking Charges- Parking pricing strategies that are integrated with other market-based pricing strategies (e.g., value pricing) are encouraged. Parking pricing strategies should be designed to influence trip-making behavior, and might include peak-period parking surcharges, or policies such as parking cash-out, where cash is offered to employees in lieu of subsidized parking.
- Lease Space in Rest Areas to Restaurants (Europe) - The purpose of rest areas is to provide, free of charge to the traveling public, quality places to safely leave the highway for any of a variety of reasons. This service increases the comfort, convenience, and safety of our highway users. A pilot program is being introduced by USDOT as an administrative proposal.
- Allow Advertising on state facilities – “Taco Bell Bridge”- This would allow private businesses to promote their wares on public buildings and facilities. Advertising is the paid promotion of goods, services, companies and ideas, by an identified sponsor. Marketers see advertising as part of an overall promotional strategy. Modification of Idaho Code would be necessary.

OTHER:

- Tapered Match – This provides for federal funds to be used up front, while the sponsor pays its match later. Must be pre-approved by Idaho's FHWA Division Administrator. *Requires special project criteria and additional administration costs.*
- State Infrastructure Banks (SIBs) – Idaho chose not to use this option when it was available. *Can no longer join.*
- Section 129 Loans – ITD could loan federal funds to locals or private entities with a dedicated payback. *ITD does not currently use this option.*

- Transportation Infrastructure Finance and Innovation Act (TIFIA) – Federal credit assistance for large-scale highway, transit, passenger rail, and intermodal projects. Can be used by private or public transportation sponsors. *Not feasible for Idaho - project must be \$100 million to qualify = major debt load.*
- Railroad Rehabilitation and Improvement Financing Program (RRIF) – Makes funding available through loans and loan guarantees for railroad capital improvements. Loans require a credit risk premium. *ITD could be asked to provide this, but the Legislature would have to transfer General funds to the Idaho Rail Preservation Program.*
- Sale of Records, Maps, Documents – Fees governed by Idaho Public Records Law. *Requires legislation.*
- Investment Options – Change from Idaho Treasurer-handled investments to more diverse options that could provide a greater return. *Requires legislation.*
- Use-Based Fees – *legality needs to be investigated.*
- Property Tax – 170 of the Local Highway Jurisdictions already use property tax to generate funds. Local jurisdictions that have large public land tracts have less taxable base to work with. Under Idaho code, there is a cap on property tax that can be used for local roads and streets.
- Local Highway Investment Pool – ITD exchanges approximately \$2.8 million in state funding for approximately \$4.2 million in local federal-aid funding under the Surface Transportation Program Rural Exchange. This provides dollars to the local jurisdictions that do not require matching funds and may be spent on projects that might not be eligible under federal guidelines. (It may even be used to match federal funds.) The \$2.8 million program, known as the Local Rural Highway Investment Program, is administered by the Local Highway Technical Assistance Council (LHTAC) through an application process. Process is established in ITD Board and Administrative Policies.
- Diesel Fuel Tax on Railroads- Idaho does not currently tax diesel fuel used by railroads. The statute that imposes a tax on “special fuels” contains several limitations that would make it legally prohibitive to tax fuel used by railroads. Federal law also prohibits the burden of taxes that discriminates against a rail carrier.
- Forest Service Payments to Counties- County and Highway districts with National Forest land have historically received revenues generated from timber sales within the county. In recent years these revenues have decreased sharply; however, in 2000 the Craig/Wyden bill authorized fixed payment funding for six years. *Federal requirements are imposed on distribution and use.*
- ITD Board to select Forest Land projects instead of Feds- If the board were authorized to select these projects they could be integrated into the Statewide Transportation Improvement Program (STIP) as part of a coordinated effort. This would require congressional action during the next highway reauthorization.

ESTIMATED REVENUE IMPACTS

(Revenue impacts are not available on all financing and revenue options at this time.)

The table below identifies how a particular type of revenue might impact the highway distribution account:

BASED ON 2003 DATA				
Revenue Category	Type	Increased By	Revenue To	Annual Increase
Fuel Tax	Gasoline Special Fuels Gasohol	1¢ per gallon 1¢ per gallon 2.5¢ per gallon tax break repeal	Highway Distribution Account (HDA) HDA	\$5.7 million \$2.3 million \$2.5 million
Vehicle Registration Increase	Passenger Cars (aged based), Commercial/Non Commercial Trucks,	10% increased registration	HDA	\$9.1 million
Value-Based Vehicle Registration	Registration fee based on assessed value	1% of assessed vehicle value	HDA	\$120 million
Increase Driver's License Fee	Driver's License	\$1.00 increase	HDA	\$300,000
Increase Title Fee	Vehicle titles	\$1.00 increase	State Highway Acct & County Assessors	\$600,000
Index Fuel Tax	Gasoline/Special Fuel	1% tax increase on 25¢ per gallon	HDA	\$1.4 million
Index Vehicle Registration	Passenger Cars, Commercial/Non Commercial Truck	12.9% > CPI-U (from 1996-2000)	HDA	\$11.1 million
Sales Tax on Fuel	Gasoline Special Fuels Gasohol	5% sales tax on fuel @ \$1.35 per gallon	HDA	\$62.7 million
Dedicated Sales Tax	Sales Tax on transportation-related products (cars, tires)	5% sales tax on products (CY2000)	Transfer from General Fund to HDA	\$137.5 million 1% = \$27.5 million

SELECTED INFORMATION SOURCES:

- General: US DOT National Transportation Library: Economics and Finance – Website: www.ntl.bts.gov
- General: US DOT Bureau of Transportation Statistics – Website : <http://www.bts.gov/>
- General: Federal Innovative Finance – Website: <http://www.fhwa.dot.gov/innovativefinance/>
- Idaho Data – Vehicles, Drivers, Revenue – ITD Economics and Research Section Website: www.itd.idaho.gov/econ/index.htm
- “State Infrastructure Banks: A Primer” – US DOT publication, November 1995
- TIFIA – Website: <http://tifa.fhwa.dot.gov/>
- “FHWA GARVEE Bond Guidelines” – FHWA publication, August 18, 2000
- Tapered Match- Title 23 United States Code, Section 121
- Section 129 Loans – Title 23, USC , Section 129; Website: www.innovativefinance.org
- Indexing Fuel Tax- “Motor vehicle Fuel & Alternative Fuel Tax”, Al Ruide, Wisconsin Legislative Fiscal Bureau
- Sales Tax – The Sales Tax Clearing House, Website: www.thestc.com
- Value Pricing – Value Pricing Homepage, Website: www.hhh.umn.edu/centers/slp/projects/conpric
- Toll Facilities – FHWA publication, FHWA-PL-93-015, “Guidelines for State Implementation of ISTEA Tolling Provisions” ; FHWA-PL-91-009, “Toll Facilities in the US”
- Local Option Taxes- Title 63, Chapter 26, Idaho Code
- Impact Fees – “American Planning Association Guidelines on Impact Fees” , Board of Directors, San Diego, CA, April 1997; “State and Government Review”, vol. 25, No. 3, (1993)